

24 January 1975

STATINT MEMORANDUM FOR: Mrs. [REDACTED], Coordination Staff/ICS

SUBJECT : Ken Dam's Murphy Commission Paper on
Economic Intelligence

1. Professor Dam well knows whereof he speaks. Prior to returning to the University of Chicago Law School he was Associate Director of OMB for National Security and International Affairs, and then Executive Director of the Council on Economic Policy. In the latter role he also served as Chairman of the Requirements Advisory Board, which is now being reconstituted as the Economic Intelligence Subcommittee (EIS) of the NSCIC. Accordingly, I am not surprised that of the several Murphy Commission papers I have seen on the subject this one is by far the most informed, thoughtful, lucid, and hence useful.

2. Dam properly notes that analytic competition is desirable, that the White House needs independent, objective, and responsive intelligence support, and that the costs would probably outway the benefits of transferring either OER in toto or its functions to another government entity. He, however, overstates the case when he writes, "It is well known that the staff of economists in the CIA is at least equal to the staff of any of the departments" (p.9). All things considered, OER does exceedingly well under pressure. Nonetheless, qualitatively with respect to specific subjects it suffers in comparison with several departmental staffs. Parenthetically, it will be noted that 23.5 per cent of the professionals in State's economic bureau, 22 per cent in Treasury's international affairs office, and 3.9 per cent of OER's are super-grades. The cost involved in rectifying this imbalance probably can not be borne so long as OER remains within the DDI -- the grade structure of that directorate's offices presumably have to be relatively consistent.

3. Dam is quite correct in noting that economic intelligence must focus on intentions, not only on capabilities.

Indeed, his argument is somewhat Andy Marshallian. But his treatment of intentions, does not quite square with his rather simple distinction (in Section II) between economic information and economic intelligence. This, I believe, is the weakest portion of his paper.

4. His most important contribution from our point of view is in raising several strawmen with respect to the organizational location of an analytic economic intelligence effort elsewhere in the US Government, and then proceeding, step by step, to knock them down. If a CIA official were to argue with the same forceful logic he would be suspect as being self-serving.

5. In some, then, the Director can:

- express his appreciation to Dam for this vote of confidence;
- assure Dam that his ideas, such as an exchange of methodological papers, will receive a considered hearing; and
- bring Dam up to date with respect to the "transmutation" of the RAB into the EIS (its organizational memorandum is attached for the Director's information).



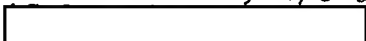
STATI

DCI/PRD

Attachment: As stated

Distribution:

- Original - Addressee, w/att
- 1 - AD/DCI/IC, w/o att
- 1 - C/PRD, PRD Chrono, w/o att
- 1 - NIO/E, w/o att
- 1 - AS chrono, w/o att
- 1 - AS Subject, w/o att
- 1 - IC Registry, w/o att
- 1 - TB Chrono, w/o att

STATINT/PRD/TB:  24Jan75)

27 JAN 1975

Approved For Release 2002/11/14 : CIA-RDP80M01133A000900140020-3

Executive Registry

15-4319/A

CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

Public Relations
2A

24 JAN 1975

Professor Kenneth W. Dam
The Law School
The University of Chicago
1111 East 60th Street
Chicago, Illinois 60637

Dear Ken:

Thank you for sending us your draft paper for the Murphy Commission which discusses the role of economic intelligence. It is a perceptive and clear presentation on a rather complex problem, and I have no suggestions for changing this splendid paper.

I share your views on a number of important points:

- the growing importance of economic intelligence.
- the usefulness of competition in economic analysis for the formulation and implementation of economic policy.
- the value of assessments independent of policy but responsive to policy needs.
- the necessity for closer communication between intelligence producers and consumers.

I also agree that, although CIA's economic analytical functions could be performed in other organizations, the alternatives all have one or more drawbacks.

Moreover, I feel strongly that collection of economic intelligence can be improved only with close contacts between collectors and producers, and I believe we have been making substantial progress in this respect, especially during the past two years. An organizational structure which separates intelligence analysis from collection would jeopardize the kind of informal personal guidance that helps greatly to make collection relevant to current needs.

You may be interested to know that action is being taken along the lines of some of your specific suggestions. In particular, the Requirements Advisory Board, which had been inactive since your departure, has been recreated as the Economic Intelligence Subcommittee (EIS) of the National Security Council Intelligence Committee. It will be chaired by the Assistant Secretary of the Treasury for International Affairs and my National Intelligence Officer for Economics will be its Executive Secretary. We expect the EIS to provide a useful mechanism for high-level consumer guidance on important economic intelligence concerns.

We have followed a policy of maximum openness in substantive discussions with other Government economic units and have greatly increased the number of unclassified economic publications. It has also been my policy to surface dissenting views on important intelligence questions rather than hide them beneath a bureaucratic compromise. Major Intelligence Community publications now spell out alternative views on major questions and include articles presenting the views of individual analysts under their own name.

Please let me know if we can be of any further assistance to you.

Sincerely,


/s/ Bill

W. E. Colby
Director

Letter to Professor Kenneth Dam
From the Director of Central Intelligence
Subject: Dam's paper on Economic Intelligence and Analysis

STATINTL

CONCUR:


Deputy Director for Intelligence

22 JAN 1975

Date

EWProctor:fbr (22 January 1975)

Distribution:

Original - Addressee

- 1 - Director
- 1 - DDCI
- 1 - Executive Registry w/basic
- ① - D/DCI/IC
- 1 - DDI
- 1 - D/OER
- 1 - DDI Chrono
- 1 - DDI File w/copy basic